GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5184
ANSWERED ON:29.04.2005
BASEL -II NORMS
Sangwan Shri Kishan Singh

Will the Minister of FINANCE be pleased to state:

(a) whether Government have directed the Public Sector Banks to comply with the norms laid down by Basel-II in respect of maintaining adequate capital base;

(b) if so, the steps taken/proposed to be taken by individual banks during the current financial year; and

(c) the extent to which banks are likely to meet the target?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM):

(a) to (c) Basel Committee on Banking Supervision has issued a revised frame work known as Basel II to build on the current framework to align capital requirements more closely with underlying risks and to provide banks and their supervisors with several options for assessing capital adequacy. Later, RBI also issued draft guidelines for implementation of Basel II in India to all the banks for feedback. Banks are at various stages of implementation of Basel II and are expected to comply with the Basel II requirement by March 2007. With a view to ensuring smooth transition to the revised Framework and with a view to providing opportunity to banks to streamline their systems and strategies, banks in India are required to commence a parallel run of the revised Framework with effect from April 1, 2006.